NEXT STEPS

CABRI is partnering with USAID and the Effective Institutions Platform to support country dialogues on using country systems to reflect country priorities and contexts and move forward on global commitments.

The 'country dialogues' will take the form of country-level action, led by partner countries, and aim to bring

about greater use of country systems and better integration of aid in the budget cycle.

The 'country dialogues' will be piloted in a volunteer partner country in 2014, followed by adjustment and extension of initiative to other interested countries.

Map local systems in country and achieve a common understanding between local donors and countries on priority 'country systems' as well as definitions of and rules for 'using country systems' and integrating aid on budget (AoB)

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Identify current opportunities and constraints in the strengthening and use of country systems, and integration of AoB

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Define joint Government-Donor next steps for achieving progress on strengthening and using country systems, and integrating AoB

Endnotes

1   IATI (2012) – "Study on better reflecting aid flows in country budgets": http://www.aidtransparency.net/wp-content/uploads/2013/05/Study-on-better-reflecting-aid-flows-in-country-budgets.doc

2   Publish What You Fund (2013) – "Aid Transparency Index": http://ati.publishwhatyoufund.org

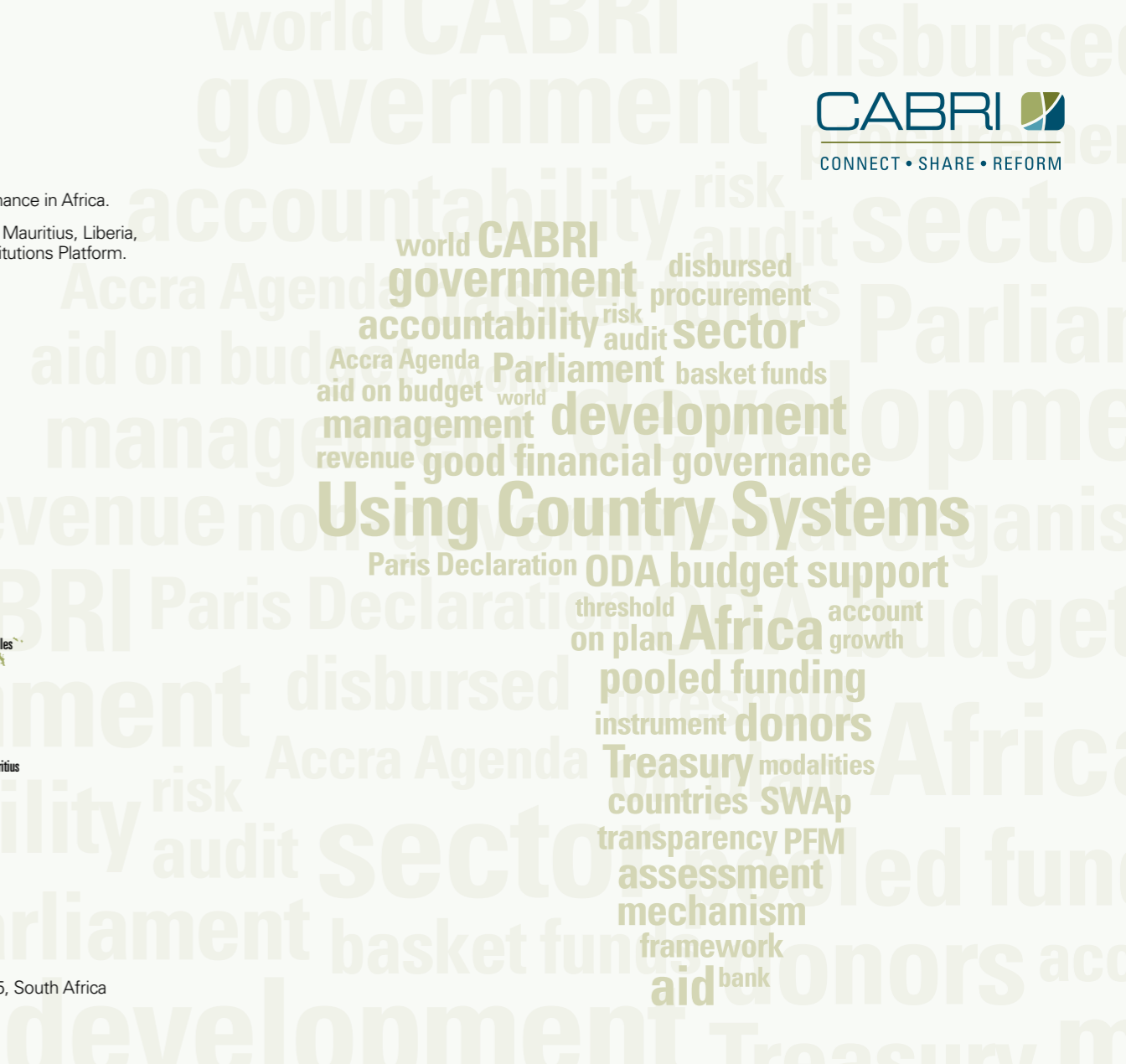## CABRI
Collaborative Africa Budget Reform Initiative

CABRI is a network of senior budget officials from about 30 participating Ministries of Finance in Africa.

Official CABRI member countries are: Senegal, Mali, Kenya, Rwanda, South Africa, Lesotho, Mauritius, Liberia, Ghana, Central African Republic and Burkina Faso. CABRI is a member of the Effective Institutions Platform.

Member country
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WHAT NEXT
FOR USING AND STRENGTHENING COUNTRY SYSTEMS FOR AID DELIVERY?

USING COUNTRY SYSTEMS

There are many benefits to using country systems, such as the improved alignment with partner country policies, increased country ownership and domestic accountability and strengthened systems, including a more stable macroeconomic framework and higher efficiency of public expenditure.

It has been argued that using country systems also leads to higher potential for overall impact, improved coordination, greater predictability and sustainability of donor programmes, as well as lower transaction costs of overseas development assistance.

The Paris Declaration on Aid Effectiveness commits donors to use country systems and procedures to the maximum extent possible.

In turn, partner countries will undertake the necessary reforms to ensure that national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.

These commitments were restated in the Accra Agenda for Action in 2008 and emphasized in article 19 of the Busan Global Partnership Agreement in 2011.

Country systems are defined as national arrangements and procedures for public financial management, procurement, audit, monitoring and evaluation and social and environmental procedures. *AAA, 2008*

PROGRESS TO DATE ON USING COUNTRY SYSTEMS AND REMAINING CHALLENGES

While there has been some improvement on the use of country systems in Africa, progress remains slow.

▸ Most countries have experienced an increase both in the use of PFM and procurement systems.

▸ But countries that are more reliant on aid experience lower use of country systems. Generally, high volume donors are less inclined to use procurement systems in high aid receiving African countries than in the rest of the world.

▸ However, "new" instruments have emerged over the last few years that should contribute to the greater use of country systems, especially for high aid countries.

– Programme for results – funding flows through country systems and disbursed once agreed results have been achieved.

– New budget support instruments for fragile states – waivering some of the requirements for budget support in the interest of restoring public services and building institutions.

▸ Challenges remain in implementing the Global Partnership commitments on using country systems. These include capacity to manage using country systems at the country level (for example: weak coordination mechanisms), the lack of donor guidance on how to use country systems and persistent donor incentives to not use country systems, due to various factors.

▸ The following section lists key recommendations that the CABRI network would like the Global Partnership to focus on as it gathers in Mexico and looks ahead.

▸ These recommendations are informed by our recent work on this area (CABRI, *Towards a greater use of country systems in Africa, recent trends and approaches*, forthcoming).

▸ The report examines the link between global policy developments and country practices. It also evaluates the use of "hybrid" forms of country systems in Africa, and the incentives for external stakeholders to use such systems.

Article 19 of The Busan Partnership for Effective Development Cooperation states:

"We will build on our respective commitments set out in the Paris Declaration and Accra Agenda for Action to:

a. Use country systems as the default approach for development cooperation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development cooperation and the developing country.

b. Assess jointly country systems using mutually agreed diagnostic tools. Based on the results of these assessments, providers of development cooperation will decide on the extent to which they can use country systems.

Where the full use of country systems is not possible, the provider of development cooperation will state the reasons for non-use and will discuss with government what would be required to move towards full use, including any necessary assistance of changes for the strengthening of systems.

The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes."

- On Plan
- On Budget
- On Parliament
- On Treasury
- On Procurement
- On Accounting
- On Auditing
- On Reporting

KEY RECOMMENDATIONS

ONE

Partner countries should create entry points for development partners to shift to the use of country systems. Specific and sustained reforms of parts of the PFM system will encourage the use of country systems. Entry points for many donors may be the use of country audit systems.

In fact, increases in use of country systems are often preceded by specific and effective reforms of sub-components, such as the case of procurement in Tanzania.

Our report finds that the least used systems are planning and budget preparation, except for cases of un-earmarked sector budget support, and general budget support.

Country audit systems tend to be the common entry point for donors in using country systems.

There is evidence of gains being reversed when issues arise, such as the irregular and inefficient use of funds.

TWO

Countries and donors should develop country donor coordination systems that prioritise making aid transparent (such as aid management systems, sector review processes) as platforms for a move towards using country systems. Non-executive actors have an important role to play in these platforms.

Other key factors matter in the use of country systems, including country capacity for implementation and strength of donor coordination mechanisms.

THREE

Donors to develop guidance on using country systems not only for budget support and programme-based approaches, but for all aid modalities, including project support.

Donor policy frameworks are important to guide country level staff to implement the greater use of country systems. In this regard, very few development partners, including USAID, DFID, and World Bank, have updated their use of country systems policies since the Busan Declaration.

But many country offices still operate in the absence of updated frameworks regarding the use of country systems. In the case of many donors, there is a lack of technical guidance and procedures when applying use of country systems to non-budget support/pooled funding.

Procedures that describe why country systems are not used as the default position are not always included in donors' guidelines.

Pooled funding mechanisms managed outside of government

Government managed pooled funds

Budget support arrangements and/or shift to fewer derogations within an instrument and/or more donors joining as experience within specific countries develops

FOUR

The research finds that in many respects, a "trail-blazer" role may need to be taken up by one donor to provide other donors with a path to follow.

There is also threshold effect in the use of country systems. In fact, it is more common for use of country systems to increase despite the lack of improvement or deterioration in PFM systems, than for use of country systems to decrease when systems deteriorate or remain stable. This suggests that progress by one donor can yield sustained progress by encouraging a larger group of donors to increase the use of country systems.

Graduation process – there is evidence that donors grow into using country systems.

FIVE

Donors should use derogations as a safeguard only in the last resort.

In fact, we find that even minor derogations have a significant impact and cost on the budgetary process of partner countries; often resulting in a domino effect on other parts of the system.

SIX

Donors should strengthen efforts to provide complete, reliable and useful aid estimates. Further progress on the IATI common standard is needed. Countries should use this resource, including the budget identifier, which bridges the gap between donors' projects and budget classifications used by countries (cf. IATI 2012[1], PWYF 2013[2]). Efforts to harmonise fiduciary risk assessments and fiduciary risk management frameworks, and mitigation measures, are needed and best undertaken at the global level.

While global light, country heavy is a guiding principle of the Busan Global Partnership, some issues still require significant efforts at the global level.